C. Charges for the Purchase of ISDN Network Services

In addition to seeking USF funding for ineligible non-recurring services, ENA's proposal contains additional ineligible recurring charges for ISDN circuits in each school through the first six months of the Contract period (July, 1998-December, 1998), costing $108,000 per month (or $648,000 over the six-month period).[31] While ISDN circuits are considered an eligible telecommunications service for purposes of obtaining USF discounts, the particular ISDN circuits for which ENA proposes the State will obtain USF discounts are not.

The particular ISDN circuits in question have already been installed into each school as part of the ConnecTEN WAN program implementation discussed in Section A above. A special tariff exists which was approved by the Tennessee Regulatory Authority ("TRA") specifically for the purpose of the installation and provision of these ISDN lines to each school as part of the overall ConnecTEN program. BellSouth and approximately 25 independent telephone companies participated in the project and agreed to a substantially reduced tariffed monthly charge of $60 per 128 Kbps BRI ISDN circuit for schools.

The TRA recently instituted a ruling that because this special state discount has been applied to ISDN lines for

[31] See Attachment I, ENA Monthly Service Levels Chart.

the schools, the service is not eligible for reimbursement under the federal USF program.[32] Because the TRA has determined that the previously established state discount applies on these lines and therefore the lines are not eligible for federal discounts, ENA's proposal requests discounts for ineligible ISDN services.

D. Total Ineligible Charges

In total, ENA's proposal would thus charge the USF Fund for the following ineligible expenses for the first six months of service through December 31, 1998:

Resale of Existing ConnecTEN Equipment	$ 7,950,000
5 POP Facilities	1,850,000
Caching Servers	1,500,000
Teacher Training	1,200,000
Already Discounted ISDN Network Services	648,000
Total Ineligible Charges	**$13,148,000**

These non-qualifying charges, as previously discussed, do not result in significant additional services to the Department beyond that proposed by ISIS 2000. Rather, they serve only to add the cost of unnecessary ineligible equipment or services (and profit on the equipment and services to ENA) or function as a device to inflate the

[32] See Attachment M - TRA Director's Conference, Tuesday, February 3, 1998, at pp. 41-43.

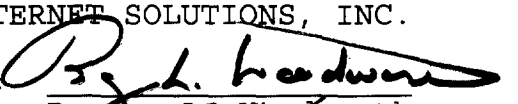
amount of USF reimbursement and decrease the Department's proportionate contribution to the program.

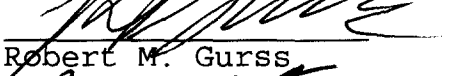
Conclusion

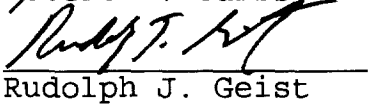
Based on the foregoing, ISIS 2000 respectfully requests that the Commission issue the requested declaratory ruling with respect to the lawfulness of the contract provisions and proposed USF Fund charges discussed above. Because of the need for the Department to file a Form 471 Application for funding by April 15, 1998, in order to qualify for first-round funding, expedited consideration of this matter is requested. Should the matters raised herein not be resolved by that date, ISIS 2000 has no objection to the grant of leave to the Department to amend its Form 471 filing as necessary upon the determination of these matters so that it will not be disqualified from consideration for first-round funding.

Respectfully Submitted,

INTEGRATED SYSTEMS AND
INTERNET SOLUTIONS, INC.

By: 
Ramsey L. Woodworth


Robert M. Gurss


Rudolph J. Geist

WILKES, ARTIS, HEDRICK & LANE,
Chartered
1666 K Street, N.W. Suite 1100
Washington, D.C. 20006
(202) 457-7800
Its Attorneys

April 3, 1998

CERTIFICATE OF SERVICE

I, Jane Nauman, hereby certify that copies of the foregoing Objection to Application and Petition for Declaratory Ruling were served on this 3rd day of April, 1998, via first-class mail, postage prepaid, to the following individuals at the addresses listed below:

William Kennard, Chairman*
Federal Communications Commission
1919 M Street, NW, Room 814
Washington, DC 20554

Commissioner Michael K. Powell*
Federal Communications Commission
1919 M Street, NW, Room 844
Washington, DC 20554

Commissioner Gloria Tristani*
Federal Communications Commission
1919 M Street, NW, Room 826
Washington, DC 20554

Commissioner Harold Furchtgott-Roth*
Federal Communications Commission
1919 M Street, NW, Room 802
Washington, DC 20554

Commissioner Susan Ness*
Federal Communications Commission
1919 M Street, NW, Room 832
Washington, DC 20554

Christopher Wright, Esquire*
General Counsel
Federal Communications Commission
1919 M Street, NW, Room 614
Washington, DC 20554

A. Richard Metzger, Chief*
Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW, Room 500
Washington, DC 20554

Ira Fishman, President
Schools & Libraries Corp.
1023 15th Street, NW, #200
Washington, DC 20005

Debrah Kriete, Esquire
General Counsel
Schools & Libraries Corp.
1023 15th Street, NW, #200
Washington, DC 20005

Schools & Libraries Corp.
P. O. Box 4217
Iowa City, IA 52244-4217

Dr. Jane Walters
State Education Commissioner
State of Tennessee
6th Floor, Gateway Plaza
710 James Robertson Parkway
Nashville, TN 37243-0375

Mr. Al Ganier
Educational Networks of America
214 Second Avenue North, #205
Nashville, TN 37201

Jane Nauman

*By hand

6 EVALUATION AND CONTRACT AWARD

6.1 Proposal Evaluation Categories and Weights

The categories that shall be considered in the evaluation of proposals are Qualifications, Experience, Technical Approach, and Cost. Each category shall be weighted as follows, and one hundred (100) points is the maximum total number of points which may be awarded to a proposal:

Maximum Points Awarded for Proposer Qualifications:	**10**
Maximum Points Awarded for Proposer Experience:	**15**
Maximum Points Awarded for Technical Approach:	**45**
Maximum Points Awarded for Cost Proposal:	**30**

6.2 Proposal Evaluation Process

6.2.1 The evaluation process is designed to award the procurement not necessarily to the Proposer of least cost, but rather to the Proposer with the best combination of attributes based upon the evaluation criteria.

6.2.2 The RFP Coordinator shall manage the proposal evaluation process and maintain proposal evaluation records. A Proposal Evaluation Team made up of three or more State employees shall be responsible for evaluating proposals.

6.2.3 All proposals shall be reviewed by the RFP Coordinator to determine compliance with mandatory proposal requirements as specified in this RFP. If the RFP Coordinator determines that a proposal may be missing one or more such requirements, the Proposal Evaluation Team shall review the proposal to determine if it meets minimal requirements for further evaluation; if the State shall request clarification(s) or correction(s); or, if the State shall determine the proposal non-responsive and reject it. (See Attachment 9.3, Proposal Requirements Checklist).

6.2.4 The Proposal Evaluation Team shall evaluate proposals determined to have met proposal requirements based upon the criteria set forth in this RFP. Each evaluator shall score each proposal. The evaluation scoring shall use the pre-established evaluation criteria and weights set out in this RFP. Each evaluator shall use only whole numbers for scoring proposals. (See Attachment 9.4, Technical Proposal Evaluation Format).

6.2.5 The State reserves the right, at its sole discretion, to request clarifications of proposals or to conduct discussions for the purpose of clarification with any or all Proposers. The purpose of any such discussions shall be to ensure full understanding of the proposal. Discussions shall be limited to specific sections of the proposal identified by the State and, if held, shall be after initial evaluation of Technical Proposals. If clarifications are made as a result of such discussion, the Proposer shall put such clarifications in writing. If clarifications are requested and written after the Proposal Evaluation Team has scored a subject Proposal, the evaluators may re-score the clarified Technical Proposals.

6.2.6 Upon completion of Technical Proposal scoring by the Proposal Evaluation Team, the RFP Coordinator shall calculate the average Technical Proposal score for each proposal.

6.2.7 After opening the Cost Proposals, the RFP Coordinator shall calculate scores for each Cost Proposal. (See Attachment 9.5, Cost Proposal Evaluation Format).

The Cost Evaluation scores shall be based on the amount indicated in the Cost Proposal for State and Local funds combined with FCC E-Rate funds paid to the proposer. State and Local funds may be augmented by Other Funding specified and offered by proposer and by any Savings generated from State and Local funds. These amounts shall be used in the following formula to determine the Cost Factor

toward calculating the points a Proposer shall receive for the Cost Proposal:

Total State & Local, Other Funds, Savings and FCC funds paid to proposer divided by Total State and Local Funds, excludes Savings, FCC, Other Funds equals the Cost Factor of Proposal Being Evaluated.

Proposal with the Highest Cost Factor is awarded 30 points for Cost Proposal.

This factor can be improved by *decreasing* "Total State and Local funds", or *increasing* "Total State, Local, Other Funding, Savings and associated FCC funds paid to proproser" or accomplishing both. Under no circumstance can the Total State and Local funds exceed amount specified in Cost Proposal Format. Under every circumstance the Proposer's total submitted costs to the FCC will be discounted 60%, which has been changed to 66% in the RFP 97-2 Amended as the state specified aggregate percentage.

Every other proposal is awarded points based on the following ratio: Factor of Proposal Being Evaluated divided by Highest Cost Factor. Then the ratio is multiplied by the Maximum Cost Points:

Cost Factor of Proposal Being Evaluated divided by Highest Cost Factor multiplied by Maximum Cost Points equals Points for Proposal Being Evaluated

Example:

Proposal # 1: Combined State, Local & FCC =$12,500,000. State and Local total is $5,000,000. Cost Factor = $12,500,000 / $5,000,000 = 2.5.

Proposal # 2: Combined State, Local, Other and Savings = $13,125,000. State and Local is $4,750,000. Cost Factor = $13,125,000 / $4,750,000 = 2.763. This is determined to be the Highest Cost Factor.

Highest Cost Factor of 2.763 for Proposal # 2 is awarded 30 points. Proposal # 1 is awarded points by the ratio of 2.5/ 2.763 = .905. This ratio multiplied by the Maximum Cost Points equals 27.14 Cost Points.

6.2.8 The RFP Coordinator shall combine the average Technical Evaluation scores with the Cost Evaluation scores for each Proposer. (See Attachment 9.6, Proposal Score Summary Matrix).

6.2.9 All proposal evaluation calculations shall result in numbers rounded to the nearest three decimal places (*e.g.*, 9.999).

6.3 Contract Award

6.3.1 The RFP Coordinator shall forward results from the proposal evaluation process to the head of the procuring agency for a contract award decision. Contract award decisions shall be subject to the approval of appropriate State officials in accordance with applicable State laws and regulations.

6.3.2 The State reserves the right to make an award without further discussion of any proposal submitted. There shall be no best and final offer procedure. Therefore, each proposal should be initially submitted on the most favorable terms the vendor can offer.

6.3.3 After the evaluation of proposals and contract award decision, the head of the procuring agency shall issue a written *Notice of Intent to Award* to all evaluated Proposers. The notice shall identify the proposal selected for award. However, any *Notice of Intent to Award* shall not create rights or interests in any vendor.

6.3.4 Upon release of a written *Notice of Intent to Award* the RFP files shall be made available for public inspection.

6.3.5 The State reserves the right, at its sole discretion, to further clarify or negotiate with the best evaluated Proposer subsequent to *Notice of Intent to Award.*

6.3.6 The apparently successful Proposer shall be expected to enter into a contract with the State which shall be substantially the same as the *pro forma* contract included in Section Eight of this RFP. However, the State reserves the right to add terms and conditions, deemed to be in the best interest of the State, during contract negotiations. Any such terms and conditions shall be within the scope of the RFP and shall not affect the proposal evaluations.

6.3.7 If the selected Proposer fails to sign and return the contract drawn pursuant to this RFP within fourteen (14) days of its delivery to the Proposer, the State may determine, at its sole discretion, that the Proposer has failed to enter into a contract with the State in accordance with the terms of this RFP, and the State may open negotiations with the next best evaluated Proposer.

ATTACHMENT A

ATTACHMENT A

DON SUNDQUIST
GOVERNOR

TENNESSEE
STATE DEPARTMENT OF EDUCATION
6TH FLOOR, GATEWAY PLAZA
710 JAMES ROBERTSON PARKWAY
NASHVILLE, TN 37243-0375

JANE WALTERS, Ph.D.
COMMISSIONER

March 20, 1998

Mr. Albert F. Ganier, III, Chief Manager
Education Networks of America
209 10th Avenue South, Suite 500
Nashville, TN. 37203

Dear Mr. Ganier:

The State Department of Education hereby issues the Notice of Intent to Award the contract for the RFP97-2 Expansion and Network Operation of ConnecTEN to Education Networks of America.

Sincerely,

Jane Walters

Cc: Jeff Hustad, Chief Technical Officer
ISIS 2000
209 10th Ave. South, Suite 507
Nashville, TN. 37203

ATTACHMENT B

BellSouth

Memphis (City) | The Daily News (Name of Publication) | 10-11-96 (Date Published) | 10-14-96 (Date Forwarded)

Mgr.: J. Johnson Subject: Education Distribution: HQ • S. • JEM • DE • MC • WR • JRR • JS • CH • DM (KW) Other: TN

Circle: (Daily) Non-Daily, News, Editorial, Other Opinion, C.I.

Corporate & External Affairs Area Staff, Suite 2107, 333 Commerce Street, Nashville, TN 37201 • 615/214-5880

cy pd: Area Ofc

Celebrating ConnecTEN

Tennessee will be the first state to connect all public school students to the Internet

By GABRIELLE C.L. SONGE
THE DAILY NEWS

Providing access to the World Wide Web for 900,000 students and 50,000 teachers is a feat no state in the union has done until now. But Thursday, public schools across Tennessee celebrated the existence of a state-of-the-art computer network that connects Tennessee students to the Internet.

"The vision was to make the libraries, museums and databases of the Internet available to every child at every school in the state," said Al Ganier, president of Connect Tennessee Students (ConnecTEN).

Gov. Don Sundquist and Department of Education Commissioner Jane Walters had the idea of making Tennessee the first state to provide equal access for all public school children from kindergarten through high school. No matter how isolated a school might be, Ganier said, it was the governor's direction that all Tennessee public schools would be on line.

"The governor and Commissioner Walters set this in motion 14 months ago. It's incredible. We installed the first system in late June, and I think we have a record day of doing 30 schools in one day," Ganier said.

In most Tennessee schools, Ganier said a single line, dial-up telephone connection existed. However, this allowed only a few students to have access to the Internet.

What makes ConnecTEN unique is t use of high-speed connections that allc dozens of computers to be simultaneously connected to the Internet, Ganier explained.

"So that means that the schools can grow and connect enough computers s that it's not limited to just the a few 'techies.' It's available for all the children," he said.

"It will take a little while but we'll probably bring up about 15,000 comput ers on this network, and it is enormous what we're doing," Ganier acknowledged.

"We believe that there will be no oth state that will be connected the way tha we will be from border to border," the governor's press secretary, Beth Fortune, said. "We're using some technology that apparently other states haven't. So, we're very excited about this."

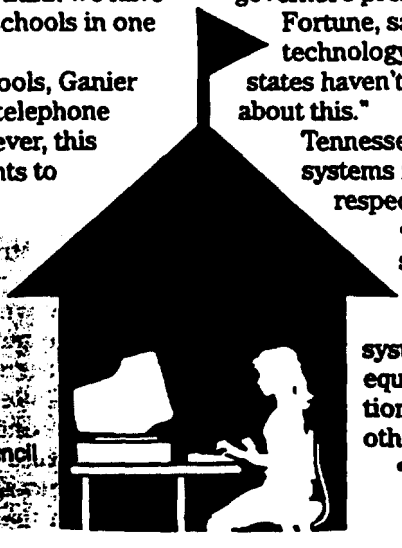
Tennessee's network surpasses systems in other states in sever respects:

- All Tennessee public schools will be on line with Internet access.
- Tennessee's system uses state-of-the-ar equipment and configuration providing a model for other states.
- High-speed connec-

See *Focus*, page 1

ConnecTEN public-private partners

BellSouth
Concept In Communications
IMG's Mark Schaffer
Martin Marietta
Network Express
Tennessee Business Roundtable
Personnel from Tennessee's Department of the Military
Southeast Network Architecture Consulting Group
Cabletron Systems
Eastman Kodak
NCR
Netscape
Tennessee Bankers Association
Tennessee Public Television Council



Memphis
City

The Daily News
Name of Publicaton

10-11-96
Date Published

10-14-96
Date Forwarded

Mgr.: J. Johnson Subject: _____ Distribution: HQ • S. • JEM • DE • MC • WR • JRR • JS • CH •
Circle: (Daily) Non-Daily, News, Editorial, Other Opinion, C.I. •DM • KW • Other: _____

Corporate & External Affairs Area Staff, Suite 2107, 333 Commerce Street, Nashville, TN 37201 • 615/214-5880

9 2 of 2

► Focus

Continued from page 2

tions potentially allow 15,000 computers to have Internet access.

here are approximately J public schools in Tennessee. "We'll have about 1,100 done by the end of this year and all schools by the end of the school year," Fortune said. "There are apparently 800 right now that are hooked up."

The design connects all Tennessee schools to one computer network through a central server in Nashville. The Nashville server provides gateways to the Internet. The connections are made through six regional hubs that feed into Nashville's central server.

But it is the high-speed telephone lines provided by BellSouth and dozens of other telephone companies that have made it possible for students and teachers to view text and graphics found on the World Wide Web at speeds from four to 25 times faster than through ordinary telephone lines.

"It's a step forward as far as walking into the 21st century," said Rubye Dobbins, Shelby County Board of Education commissioner. From the city schools, Board of Education Commissioner TaJuan Stout Mitchell said, "Every child will benefit from this exposure, and it will better prepare them for tomorrow's work challenges."

Presently in the Memphis City Schools, there is one work station located in each of the 162 schools' libraries. Hardware is on order for additional workstations to be in place by the end of the 1996-97 academic year.

Largely funded by the state legislature, the total investment so far is estimated at $136.2 million.

The breakdown is: $100 million in state appropriations for 21st Century Classrooms, $25 million in state appropriations for the infrastructure, $5.6 million from the Department of Education's budget for hardware and installation, $3.6 million from the department's budget for technology, $1 million from the department's savings and $1 million donated by business partners.

"I'm glad that Memphis City Schools, as well as schools across the state, can be a part of technological changes, and we can introduce our children to that," Commissioner Peggy Prater-Harvey said. "That's truly the epitome of 21st century learning. So, I'm very excited about the prospect. I'm very proud that Memphis City Schools can be a part of that."

Creech new law

Education/Internet

Kids open new doors as state spins Web

By Lady Hereford
BANNER EDUCATION WRITER

A few clicks of the mouse, and a world of knowledge is at every student's fingertips.

Children in Tennessee's smaller rural counties will have the same access to the vast resources of the Internet as those in its larger urban and suburban districts.

That's the dream behind a massive project to connect schools through a state network and give all of Tennessee's 1,554 K-12 public schools access to the World Wide Web with text and graphics.

The ConnecTEN project, a bicentennial education initiative, kicks off today.

"What Tennessee is doing is unique because it's empowering every single student to have the same level of information," says Patty Chrystycz, a representative of New Hampshire-based Cabletron Systems, a company that is helping to bring ConnecTEN to life.

Students, parents and teachers will watch from schoolrooms across the state as Gov. Don Sundquist and state Education Commissioner Jane Walters unveil the project with a televised event that begins at 7:30 p.m. on Tennessee public television stations.

"A king, dictator or president didn't have as much information at his fingertips as you will have when you sit down at this keyboard," Sundquist told students at Jere Baxter Middle School today.

BANNER PHOTO: JOHN RUSSELL

Rachel Sisco, a fifth-grader at Carter-Lawrence Middle School, learns how to use the Internet with help from teacher Kerry Sinclair.

The project is being hailed as the first of its kind in the nation. Already nearly 1,000 schools are connected, and the rest are expected to be completed by the end of this year.

"This is really an electronic window to the libraries, museums and databases of the world," says Al Ganier, president of Connect Tennessee Students, a nonprofit organization charged with raising $1 million in private contributions for the project.

About $500,000 has been raised so far. Among the businesses participating are the Tennessee Bankers Association, the Tennessee Business Roundtable, Eastman Kodak and Martin Marietta.

BellSouth has provided high-speed telephone lines, and companies such as Cabletron, Concepts in Communications and Cisco are providing everything from monitoring equipment to actual connection services.

Netscape has donated software, and Cyber Patrol is donating software to block access to controversial areas of the Internet.

The bulk of the project's $5.5 million cost will come from the state's technology funding for schools. The rest comes from savings from last year's Education Department budget, Walters says.

"I felt I could not ask the business community for $1 million unless I could save $1 million from my budget below the line," Walters says.

"What we are basically hooking up is one computer in the library of each school," Walters says.

A high-speed switch is being installed in each school that allows dozens — possibly hundreds — of other computers in the building to connect to the Internet through the single computer in the library, Ganier says.

Each school system will be joined to

Please see INTERNET, page A2

Internet

Continued from page A1

one state network with six regional hubs.

The whole thing will be overseen by a network operations center at the state Department of Education, and most repairs and assistance will be made remotely from there.

The state network won't be for schools only. State government will be able to use it to disseminate information statewide for programs such as Families First and others.

Alternate plans

If an entire school system is connected by a network, however, getting onto the state network is more difficult. Systems with more advanced technology have been given the option of presenting the state with an alternate plan to get connected at a later date.

"We had school systems that had bitten the bullet and put money into technology," Walters says.

"We did not want to say to a system that had already put things in place, now you'll have to tear up everything you have and do what we want to do."

About 400 systems out of the 1,554 will present alternate plans, Walters says.

One of those is Williamson County Schools, which has had Internet access in its 25 schools for more than a year.

"We've been there a little quicker than some," says Tim McNeese, director of information services for Williamson County schools' technology department.

But the schools will benefit from better connectivity to the Internet through ConnecTEN, McNeese says.

Other challenges have come from getting the state's larger systems up and running.

"This has really been an interesting undertaking because, for example, in a small district ... when you're got two or three schools in the district up, you've got the district up," Walters says.

"Then you've got a Memphis or a Metro, or a Knoxville or a Chattanooga."

In Metro, all the schools have ISDN lines, routers and equipment, but the process is ongoing.

"We have some schools that already had access to the World Wide Web, but we are just adding that to the plan that we have," says Charlotte McAnally, Metro schools coordinator of computer support.

Carter-Lawrence Middle School recently completed its ConnecTEN links and has access through the computer in the library. But soon each classroom will have access as well.

Carter-Lawrence is one of a handful of schools participating in an educational program that recently received a grant from the U.S. Department of Education that will convert the school into a technology magnet.

With six computers per classroom, "children will be using the Internet in some aspect almost daily," says Kerry Sinclair, a fifth-grade math and science teacher.

Other Middle Tennessee school systems as well have overcome obstacles in linking local networks to the state network.

Sumner County schools were finishing their connections on the eve of the kickoff. The system has had to order equipment and make other adjustments in the process.

"We've had to work with and around what we have," says Ann Cobb, Sumner County schools technology coordinator.

Even schools in Grundy County, which has six elementary schools and one high school, had Internet connections before the project began.

"We're ready and on line," says Joe Gray, principal of North Elementary in Altamont.

Actually getting on line will be a simple process for teachers and students. Anyone can learn how to click on the icons and get on the Internet in five minutes, Ganier says.

Teachers in nearly all the schools have attended training sessions, and as more classes get access, more training will be required, Walters says.

"We're limiting this year mostly to library research so that the children can learn to use it as a tool. We've done some training with teachers, but we need to do more training and we need to work with teachers to help this be something that is seamless," she says.

46-002
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-Education/Internet

66

Education department opens network operations center for bicentennial internet project

Gov. Don Sundquist and state Education Commissioner Jane Walters have established a state-of-the-art network testing, management and installation center that serves as the nerve center and command post for the connection of Tennessee's 1,560 schools to the Internet.

ConnecTEN, Tennessee's K-12 Internet project, is a bicentennial education initiative that involves a practical application of the state's information network to connect Tennessee's 900,000 students and 50,000 teachers to the world's museums, libraries and databases available on the world wide web. Gov. Sundquist and Dr. Walters will officially kick off the Internet project October 10 with a Bicentennial Internet Day celebration at the Tennessee Performing Arts Center in Nashville and school open houses across the state.

Tennessee will be the first state to connect every one of its public schools to the Internet with some form of high speed graphical connection, making ConnecTEN the largest education etwork anywhere in the country in rms of the number of routers and tual number of sites being physically connected to the Internet. The network will give students and their teachers the ability to instantly access the Internet by clicking the graphics on their computers.

The Education Network Operations Center, staffed with communications system consultants and Department of Education employees, is now operational in the commissioner's conference room on the sixth floor of Andrew Johnson Tower in Nashville. The facility has begun remote testing needed to detect and solve problems for equipment being set up in all 95 counties and 139 school systems to connect Tennessee schools to the Internet.

"The Internet connection involves a complex pipeline in which all the elements have to work together," Governor Sundquist said. "We have many departments of state and local government and dozens of companies involved in this project."

Sundquist specifically noted the use of Cabletron System's SPECTRUM network management software which will enable the center to electronically test and manage the entire education network.

"It is especially rewarding to see SPECTRUM used to further educational goals," said Patty Chrystycz, director of systems and network management marketing with Cabletron. "The Tennessee Department of Education has validated what other customers have told us concerning SPECTRUM's importance in managing large, complex mission critical environments."

The Network Operations Center coordinates all the entities responsible for Tennessee's school Internet installations and is beginning to check out equipment connected to the statewide network to prepare it for going online. From the network operations center, the testing and installation team can locate and communicate with the Internet connection in any school in the state, find out if it is operational and tell how many computers have been connected to it.

Representatives from Cabletron Systems, Concepts in Communication, BellSouth, the state's Office of Information Resources (OIR) and others are working with Department of Education personnel to staff the center's management and monitoring operations.

Cabletron is providing CyberSwitch remote access devices, installed at the school and county level, that connect schools to the state communications network, and is centrally managing the entire Internet project with the company's SPECTRUM Enterprise Manager. Concepts has the state contract for installing education routers in each county and router switches for schools using standard connections that request the state to do the installations. .

BellSouth and more than 25 other telephone companies are responsible for communication lines that will link the school and county router connections to the state information system.

"We are dealing with this project in waves of activity," said Jackie Shrago, special project director for ConnecTEN. "The first wave was getting the equipment shipped in, delivered out into the field and holding training sessions to show educators how to install the new software. Now we are in the testing phase. The final phase will be operating a network of 95 education county routers and more than 1,500 school routers."

"When the Governor officially kicks off the project on October 10, we expect to have several hundred schools with their Internet connections already up and running," Dr. Walters said.

"Later this year, the department will establish a ConnecTEN Help Desk to assist school system technology coordinators and local educators with integrating the new technology into their classrooms."

For additional information about Cabletron Systems' participation, please contact: Betsey Winckler, Marketing Department at 603-337-2588 or e-mail request to: winckler@ctron.com.

ATTACHMENT C

GRAINGER, TUCKER & TUCKER

To the Members of
Education Networks of America, LLC

We have audited the accompanying balance sheet of Education Networks of America, LLC (formerly Technology Partner, LLC), a Tennessee limited liability company as of December 31, 1997, and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education Networks of America, LLC as of December 31, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Grainger, Tucker & Tucker

Grainger, Tucker & Tucker
Nashville, Tennessee

February 23, 1998

Certified Public Accountants ▪ A Professional Limited Liability Company
214 Second Avenue North, Suite 205, Nashville, TN 37201 ▪ Phone 615-255-2238 ▪ Fax 615-254-4748 ▪ E-mail gtt@gttcpas.com

EDUCATION NETWORKS OF AMERICA, LLC
BALANCE SHEET
December 31, 1997

ASSETS	
CURRENT ASSETS	
Cash	$ 29,521
	29,521
PROPERTY AND EQUIPMENT (NOTE 4)	11,898
LONG TERM NOTES RECEIVABLE - MEMBERS (NOTE 3)	1,501,900
OTHER ASSETS (NOTE 5)	8,396
	$ 1,551,715
LIABILITIES AND MEMBERS' CAPITAL	
CURRENT LIABILITIES (NOTE 2)	$ 17,880
MEMBERS' CAPITAL	1,533,835
	$ 1,551,715

See accompanying notes to financial statements

EDUCATION NETWORKS OF AMERICA, LLC
STATEMENT OF INCOME AND MEMBERS' CAPITAL
For the year ended December 31, 1997

REVENUE	$ 145,000
OPERATING EXPENSES	96,994
INCOME FROM OPERATIONS	$ 48,006
MEMBERS' CAPITAL	
Balance, beginning of year	$ 9,863
Contributions	1,501,800
Distributions	(25,834)
Balance, end of year	$ 1,533,835

See accompanying notes to financial statements

EDUCATION NETWORKS OF AMERICA, LLC
CASH FLOW STATEMENT
December 31, 1997

CASH FLOW FROM OPERATING ACTIVITIES	
Net Income	$ 48,006
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization and depreciation	1,157
(Increase) Decrease in notes receivable	4,905
Increase (Decrease) in accounts payable	17,880
NET CASH FROM OPERATING ACTIVITIES	71,948
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(13,055)
Reorganization costs	(8,096)
NET CASH UTILIZED BY INVESTING ACTIVITIES	(21,151)
CASH FLOWS FROM FINANCING ACTIVITIES	
Member distributions	(25,834)
NET CASH UTILIZED BY FINANCING ACTIVITIES	(25,834)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,963
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,558
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 29,521

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company, a Tennessee limited liability company, was organized on May 28, 1996. The Company is primarily engaged in the business of providing information technology services. The Company is proposing on a 3.5 year contract with the State of Tennessee to connect all Tennessee students to the Internet.

Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

At this time the Company has no accounts receivable.

Depreciation

Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the related assets. Depreciation expense for the year ended December 31, 1997 is $1,157.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for, the Company. Partners are taxed individually on their portion of the Company's earnings.

NOTE 2 – RELATED PARTY TRANSACTIONS

The Company has a payable to an affiliate management partnership. For the year ended December 31, 1997, the amount of the payable is $5,419.

NOTE 3 - LONG-TERM NOTES RECEIVABLE - MEMBERS

The Company has long-term notes receivable from its members at December 31, 1997 of $1,501,900. Included in notes receivable are promissory notes in the aggregate amount of $1,500,000 due December 31, 1999 which accrue interest at a rate of 8% per annum.

NOTE 4 – FIXED ASSETS

Fixed assets consists of the following at December 31:

Autos and trucks	$ 11,300
Computer hardware	1,570
Computer software	185
	13,055
Accumulated depreciation	(1,157)
	$ 11,898

NOTE 5 - OTHER ASSETS

Other assets consists primarily of reorganization costs incurred in the last month of 1997. The costs will be amortized over a period of 60 months beginning January 1, 1998.

NOTE 6 - SUBSEQUENT EVENTS

On January 27, 1998, the Company entered into a $225,000 working capital Line of Credit with First Tennessee Bank. The Line of Credit has a maturity date of February 28, 1999. The Line of Credit is guaranteed by two of the company's members, Albert F. Ganier, III, and ISDN-Net, Inc. The several liability of each Guarantor for actual borrowings under the Line of Credit shall be equal until said borrowings exceed $150,000 in the aggregate, and thereafter Albert F. Ganier, III shall be responsible for